

## City of Alexandria, Virginia

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## MEMORANDUM

DATE: SEPTEMBER 10, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERTLAND, CITY MANAGER *PS*

SUBJECT: MONTHLY FINANCIAL REPORT FOR THE PERIOD ENDING  
AUGUST 31, 2002

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**ISSUE:** Receipt of the City's Monthly Financial Report for the period ending August 31, 2002.

**RECOMMENDATION:** That City Council receive the following Monthly Financial Report for the period ending August 31, 2002.

**DISCUSSION:** This report provides financial information on revenues and expenditures of the General Fund for the period July 1, 2002 through August 31, 2002. This report presents revenues and expenditures for the same period for Fiscal Year 2002 for comparative purposes (Attachments 1 and 2), and also provides a summary of selected economic indicators (Attachment 3). As discussed below, property tax collections through August 15, 2002 and collections of most other local taxes through the end of August 2002 are counted as revenues of the fiscal year ended June 30, 2002 and will be reported in the City's audited Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 2002. Accordingly, with revenues counted as FY 2002 revenues removed, FY 2003 revenues through August 31, 2002 in the amount of \$14.6 million, total less than four percent of the approved budget estimate. This revenue recognition pattern is the normal practice in governmental accounting and represents no cause for concern.

At this time it is too early to project how overall FY 2003 actual revenues will compare to budgeted revenues. While real estate and personal property (from preliminary billing data) taxes will likely meet or exceed budgeted growth expectations, other local taxes and State aid revenues remain in question. Economic reports from various organizations which collect and issue economic data, such as the U.S. Department of Labor, George Mason University, the Fairfax County government, and the office of the Secretary of Finance of the Commonwealth of Virginia, all indicate that the State and regional economies continue to falter largely due to higher unemployment and reduced consumer and business spending. City employment, office occupancy, home sales, building permit and hotel occupancy rates are all lower than a year ago at this time. In general, these rates have improved from six months ago, but not enough to equal or

better the situation a year ago. As a result, and was the case in FY 2002, the City's staff will need to very carefully monitor revenues as FY 2003 progresses. In addition, when the details of the expected State aid reductions are known, it will be necessary to prepare specific plans to keep the City's budget in balance.

In accordance with accounting and reporting requirements established by the Governmental Accounting Standards Board (GASB) and the Auditor of Public Accounts for the Commonwealth of Virginia (APA), revenues collected by the City's agents prior to June 30, 2002, but not actually received by the City until July or August, are counted as revenues for the fiscal year ended June 30, 2002. The accrued revenues include:

- sales tax collected by merchants in May and June, forwarded to the Commonwealth in June and July, and remitted to the City in July and August;
- consumer utility tax billed by the utility companies in May and June, collected by the utility companies in June and July, and remitted to the City in July and August;
- transient lodging tax revenue collected by Alexandria hotels in June and remitted to the City in July;
- restaurant meals tax revenue collected by restaurants in June and remitted to the City in July;
- tobacco tax revenue collected by the Northern Virginia Cigarette Board in June and remitted to the City in July; and
- real estate recordation tax revenue collected by the Clerk of the Circuit Court in June and remitted to the City in July.

The GASB also requires the City to recognize certain tax revenues when they are "measurable and available." Tax revenues are deemed to be "measurable" when they are levied, and the APA has defined "available" to include tax collections within 45 days of the fiscal year end (i.e., August 15). Accordingly, collections after June 30, 2002 in the following categories will be counted as revenues for the fiscal year ended June 30, 2002:

- real property tax,
- personal property tax,
- property tax penalties and interest payments, and
- business license tax.

**FISCAL YEAR 2002 ENDING STATUS:** At this time, the City's external auditors are auditing and reviewing the City's accounts and records in relation to FY 2002 expenditures and revenues. While the actual outcome of the FY 2002 audit will not be known until after the auditor's work is completed, preliminary financial information can be reported at this time. This information is subject to change and adjustment as a result of the auditor's ongoing review. Final revenues and expenditures will be reported in the City's Comprehensive Annual Financial Report expected to be completed, printed and issued in November. At this time, General Fund revenues are expected to be \$361.4 million, \$2.7 million higher than that last projected when the FY 2003 budget was adopted. This is primarily attributable to increased business license tax collections and State corrections related revenues. Expenditures and encumbrances were less than that budgeted in large part due to the departmental savings plans that were instituted in FY 2002. In total, on a pre-audit basis it appears that the City finished FY 2002 about \$4 million ahead of its overall projections. These funds are planned to be designated to help finance the upcoming FY 2004 budget.

**REVENUES (Attachment 1):** As of August 31, 2002, actual General Fund revenues totaled \$14.5 million, a decrease of \$0.2 million, or 1.2 percent, as compared to revenues for the same period last year. Unless otherwise noted, revenues reflect normal trends and represent no cause for concern.

**Personal Property Taxes:** Personal property tax bills were mailed in August and are due on October 7, 2002. The FY 2002 Approved Budget includes a \$31.2 million revenue projection for tax revenue collected directly by the City (including \$15.8 million for vehicles and \$15.4 million for businesses) and includes an additional \$22.0 million of intergovernmental revenue that the City collects from the Commonwealth under the provisions of the Personal Property Tax Relief Act of 1998 (PPTRA). The State's share of the local personal property tax payment this year is 70.0 percent of most taxpayers' payments, which is the same as last year. The total for all budgeted revenues related to the personal property tax for FY 2003 is \$53.2 million.

To date, the City has collected \$4.6 million in personal property tax revenue and has received reimbursement from the Commonwealth of \$3.2 million for total personal property tax receipts of \$7.8 million. This represents a \$0.2 million increase when compared to receipts collected at the same time last year. The increase is primarily attributable to timing differences in the collection of the tax. Revenues to date represent current year payments made before the due date and payments received on delinquent accounts. Staff will continue to monitor revenues closely. No clear trends will be evident until October receipts are tabulated in November. However, it appears that the total budgeted revenues related to the personal property (\$53.2 million) tax will be achieved.

Personal Property Tax (in millions)	Actual to Date FY 2002	Budget FY 2003	Actual to Date FY 2003
City share	\$ 4.4	\$ 31.2	\$ 4.6
Commonwealth reimbursement	<u>3.2</u>	<u>22.0</u>	<u>3.2</u>
Total	\$ 7.6	\$ 53.2	\$ 7.8

**Local Sales and Use Taxes:** Businesses remit sales tax to the Commonwealth within 30 days of the end of the month in which sales occurred. The Commonwealth wires the City's portion of the sales tax approximately one month later. Sales taxes received by the City in August represent revenues collected by merchants in June and will be counted as revenues for the fiscal year ended June 30, 2002. As a result, the first FY 2003 sales tax revenues will not be received until September.

**Consumer Utility Taxes:** Consumer utility taxes are collected by the utility companies one month after billing and are remitted to the City the following month. As discussed above, consumer utility taxes received by the City in August represent revenues collected by the utilities in June and will be counted as revenues for the fiscal year ended June 30, 2002.

**Business License Taxes:** The City's business license tax is due March 1. Collections to date, in the amount of \$0.4 million, represent filings by new businesses and payments on delinquent accounts.

**Transient Lodging Taxes:** Transient lodging taxes are remitted to the City within one month after collections. Therefore, the revenue reflected in this report represents collections by hotels for July 2002. Collections total \$0.5 million, an increase of \$0.1 million above collections for the same period last year. However, last year two major hotels did not make their August payment until September. Taking these late payments into effect, transient lodging tax revenues are actually 2.4% below revenues for the same period last year.

**Real Estate Recordation Taxes:** Real estate recordation tax revenues are collected by the Clerk of the Circuit Court and remitted to the City the following month. Collections, in the amount of \$0.3 million, increased \$0.1 million, or 60.2 percent, over collections at this time last year. The increase is primarily attributable to residential refinancings due to historically low interest rates.

**Other Local Taxes:** This category includes bank franchise taxes, telecommunications right-of-way tax, cable TV franchise taxes, daily rental taxes and other miscellaneous taxes.

**Revenues from the Federal Government:** The City's General Fund revenues from the federal government are primarily for federal prisoner per diem. The City has billed \$0.8 million for housing federal prisoners through the period ending August 31, 2002. As of August 31, only one payment has been received. The federal government generally pays the City for housing federal prisoners 45 to 60 days after the end of the billing period.

**Licenses and Permits:** Revenues decreased \$0.7 million, or 66.5 percent, below collections at this time last year. This decrease is attributable to more new residential building permits being issued in FY 2002 than in FY 2003.

**Revenue from Use of Money and Property:** Year-to-date interest revenues decreased \$0.3 million compared to last fiscal year, largely due to declining market interest rates on City short-term investments. This large decrease in market interest rates is reflected in the federal fund rate reduction from 3.50 percent in August 2001 to 1.69 percent in August 2002.

**Other Revenue:** Other revenues include gifts and donations, damage recoveries and recovered costs.

**EXPENDITURES (Attachment 2):** As of August 31, 2002, actual General Fund expenditures totaled \$57.4 million, an increase of \$ 3.7 million, or 6.9 percent, over expenditures for the same period last year. The Approved General Fund Budget is 6.6 percent higher than FY 2002. The increase in expenditures over that budgeted is attributable to budgeted expenditures for annual equipment replacement charges made at the beginning of the fiscal year. Except as noted below, this expenditure pattern reflects the Approved FY 2002 Budget.

**Personnel:** General Fund expenditures in this category reflect tuition assistance payments made at the beginning of the fiscal year.

**Other Planning Activities:** General Fund expenditures in this category reflect first quarter contribution payments to community agencies except for the Alexandria Convention and Visitors Association which represents the first two quarterly payments for FY 2003.

**City Attorney:** Expenditures to date reflect outside legal fees which are budgeted in a non-department account and charged to the City Attorney's office. Staff will recommend an appropriations transfer in the context of the June Transfer Resolution to match these expenditures with budget authority.

**Transit Subsidies:** Expenditures to date reflect the City's first quarterly payment to the Washington Metropolitan Area Transit Authority (WMATA) for Fiscal Year 2003.

**Health:** The City receives a quarterly billing from the Commonwealth (approximately \$700,000 per quarter) for services provided at the Health Department. As of August 31, 2002, the first quarterly billing had not been received.

**Recreation:** Expenditures reflect seasonal employee costs incurred during the summer.

**Other Education Activities:** Expenditures to date reflect the first quarter contribution payment to the Northern Virginia Community College.

**Non-Departmental:** General Fund expenditures in this category reflect the City's contributions to the closed public safety pension plan, senior citizens' rent relief, payment for the City's liability insurance, and the City's share of debt service on the Northern Virginia Transportation District bonds.

**Cash Matches (MH/MR/SA, Human Services, Library and Miscellaneous Grants):** To comply with grant awards, the City's share funding is transferred from the General Fund to the Special Revenue Fund at the end of the fiscal year.

**ATTACHMENTS:**

Attachment 1 - Comparative Statement of Revenues

Attachment 2 - Comparative Statement of Expenditures & Transfers by Function

Attachment 3 - Selected Economic Indicators

**STAFF:**

Mark Jinks, Assistant City Manager for Fiscal and Financial Affairs

D. A. Neckel, Director of Finance

Laura Triggs, Deputy Director of Finance/Comptroller

**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF REVENUES**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING AUGUST 31, 2002 AND AUGUST 31, 2001**

	<b>FY2003 APPROVED BUDGET</b>	<b>FY2003 REVENUES THRU 08/31/02</b>	<b>% OF BUDGET</b>	<b>FY2002 REVENUES THRU 08/31/01</b>
<b>General Property Taxes</b>				
Real Property Taxes.....	\$ 176,572,000	\$ 29,454	0.0%	\$ 187,848
Personal Property Taxes.....	31,184,000	4,557,340	14.6%	4,365,239
Penalties and Interest.....	1,100,000	130,981	11.9%	144,764
<b>Total General Property Taxes</b>	<b>\$ 208,856,000</b>	<b>\$ 4,717,775</b>		<b>\$ 4,697,851</b>
<b>Other Local Taxes</b>				
Local Sales and Use Taxes.....	\$ 21,300,000	\$ -	0.0%	\$ -
Consumer Utility Taxes.....	17,100,000	-	0.0%	-
Business License Taxes.....	21,900,000	353,413	1.6%	141,374
Transient Lodging Taxes.....	5,250,000	501,596	9.6%	422,010
Restaurant Meals Tax.....	8,700,000	670,595	7.7%	651,982
Tobacco Taxes.....	1,600,000	147,375	9.2%	141,567
Motor Vehicle License Tax.....	2,300,000	442,352	19.2%	404,705
Real Estate Recordation.....	1,500,000	303,943	20.3%	189,685
Other Local Taxes.....	4,468,000	10,932	0.2%	19,630
<b>Total Other Local Taxes</b>	<b>\$ 84,118,000</b>	<b>\$ 2,430,206</b>	<b>2.9%</b>	<b>\$ 1,970,953</b>
<b>Intergovernmental Revenues</b>				
Revenue from the Federal Government.....	\$ 4,380,000	\$ 390,707	8.9%	\$ 433,065
Revenue from the Commonwealth.....	41,525,800	3,992,590	9.6%	3,720,708
<b>Total Intergovernmental Revenues</b>	<b>\$ 45,905,800</b>	<b>\$ 4,383,297</b>	<b>9.5%</b>	<b>\$ 4,153,773</b>
<b>Other Governmental Revenues</b>				
Fines and Forfeitures.....	\$ 3,882,000	\$ 674,996	17.4%	\$ 594,568
Licenses and Permits.....	4,000,000	358,407	9.0%	1,069,470
Charges for City Services.....	9,863,800	774,465	7.9%	685,763
Revenue from Use of Money & Property.....	6,271,000	1,141,628	18.2%	1,454,763
Other Revenue.....	458,000	88,899	19.4%	116,894
<b>Total Other Governmental Revenues</b>	<b>\$ 24,474,800</b>	<b>\$ 3,038,395</b>	<b>12.4%</b>	<b>\$ 3,921,458</b>
<b>TOTAL REVENUE</b>	<b>\$ 363,354,600</b>	<b>\$ 14,569,673</b>	<b>4.0%</b>	<b>\$ 14,744,035</b>
<b>Appropriated Fund Balance</b>				
General Fund.....	9,816,624	-	0.0%	-
Reappropriation of FY 2002 Encumbrances	-	-	0.0%	-
And Other Supplemental Appropriations.....	-	-	0.0%	-
<b>TOTAL</b>	<b>\$ 373,171,224</b>	<b>\$ 14,569,673</b>	<b>3.9%</b>	<b>\$ 14,744,035</b>

**CITY OF ALEXANDRIA, VIRGINIA**  
**COMPARATIVE STATEMENT OF EXPENDITURES & TRANSFERS BY FUNCTION**  
**GENERAL FUND**  
**FOR THE PERIODS ENDING AUGUST 31, 2002 AND AUGUST 31, 2001**

<b>FUNCTION</b>	<b>FY2003 APPROVED BUDGET</b>	<b>FY2003 EXPENDITURES THRU 08/31/02</b>	<b>% OF BUDGET</b>	<b>FY2002 EXPENDITURES THRU 08/31/01</b>
Legislative & Executive.....	\$ 4,671,512	\$ 767,154	16.4%	\$ 696,339
Judicial Administration.....	\$ 26,024,599	\$ 4,957,714	19.1%	\$ 4,417,276
<b>Staff Agencies</b>				
Information Technology Services.....	\$ 5,971,390	\$ 822,858	13.8%	\$ 811,249
Management & Budget.....	913,849	130,172	14.2%	103,209
Finance.....	7,037,172	1,089,155	15.5%	1,101,466
Real Estate Assessment.....	980,950	125,612	12.8%	119,978
Personnel.....	2,221,865	404,530	18.2%	356,770
Planning & Zoning.....	3,068,776	487,206	15.9%	401,405
Other Planning Activities.....	2,169,245	873,581	40.3%	806,031
City Attorney.....	1,402,831	247,890	17.7%	217,040
Registrar.....	887,928	133,969	15.1%	100,211
General Services.....	9,013,490	1,353,733	15.0%	1,401,259
<b>Total Staff Agencies</b>	<b>\$ 33,667,496</b>	<b>\$ 5,668,706</b>	<b>16.8%</b>	<b>\$ 5,418,618</b>
<b>Operating Agencies</b>				
Transportation & Environmental Services.....	\$ 20,334,156	\$ 3,878,366	19.1%	\$ 3,095,661
Fire.....	26,746,272	4,795,447	17.9%	4,679,646
Police.....	37,841,737	7,040,419	18.6%	6,851,825
Transit Subsidies.....	3,628,778	662,140	18.2%	801,327
Housing.....	1,200,460	157,137	13.1%	137,454
Mental Health/Mental Retardation/ Substance Abuse.....	601,688	249,677	41.5%	228,126
Health.....	6,926,459	288,739	4.2%	200,465
Human Services.....	7,018,241	1,346,243	19.2%	1,011,848
Historic Resources.....	2,145,583	410,768	19.1%	322,324
Recreation.....	15,044,602	3,234,233	21.5%	2,925,923
<b>Total Operating Agencies</b>	<b>\$ 121,487,976</b>	<b>\$ 22,063,169</b>	<b>18.2%</b>	<b>\$ 20,254,599</b>
<b>Education</b>				
Schools.....	\$ 115,329,680	\$ 7,015,261	6.1%	\$ 7,343,840
Other Educational Activities.....	13,246	3,312	25.0%	3,231
<b>Total Education</b>	<b>\$ 115,342,926</b>	<b>\$ 7,018,573</b>	<b>6.1%</b>	<b>\$ 7,347,071</b>
<b>Capital, Debt Service and Miscellaneous</b>				
Debt Service.....	\$ 17,739,094	\$ 973,756	5.5%	\$ 1,306,001
Non-Departmental.....	7,598,339	1,735,657	22.8%	1,559,489
Cash Capital.....	14,200,000	14,200,000	100.0%	12,020,000
Contingent Reserves.....	950,000	-	-	-
<b>Total Capital, Debt Service and Miscellaneous</b>	<b>\$ 40,487,433</b>	<b>\$ 16,909,413</b>	<b>41.8%</b>	<b>\$ 14,885,490</b>
<b>TOTAL EXPENDITURES</b>	<b>\$ 341,681,942</b>	<b>\$ 57,384,729</b>	<b>16.8%</b>	<b>\$ 53,019,393</b>
<b>Cash Match (Mental Health/Mental Retardation/ Substance Abuse, Human Services and Library)</b>				
Transfers to the Special Revenue Fund.....	26,655,082	-	0.0%	-
Transfer to DASH.....	4,834,200	402,850	8.3%	681,833
<b>TOTAL EXPENDITURES &amp; TRANSFERS</b>	<b>\$ 373,171,224</b>	<b>\$ 57,384,729</b>	<b>15.4%</b>	<b>\$ 53,701,226</b>

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**CITY OF ALEXANDRIA  
SELECTED ECONOMIC INDICATORS**

	<u>Current Year</u>	<u>Prior Year</u>	<u>Percent Change</u>
<b><u>Consumer Price Index (CPI-U)</u></b>			
<b>for the Washington-Baltimore, DC-MD-VA-WV Area</b>	113.4	110.8	+2%
(As of July 31, 2002)			
(Source: Published bi-monthly by United States Department of Labor, Bureau of Labor Statistics)			
<b><u>Unemployment Rates</u></b>			
<b>Alexandria</b>	3.3%	2.6%	+27%
<b>Virginia</b>	4.1%	3.7%	+11%
(As of July 30, 2002)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<b>United States</b>	5.7%	4.9%	+16%
(As of August 31, 2002)			
(Source: United States Department of Labor, Bureau of Labor Statistics)			
<b><u>Interest Rates</u></b>			
(As of August 31, 2002)			
<b>Prime Rate</b>	4.75%	6.50%	-27%
<b>Federal Fund Rate</b>	1.69%	3.50%	-52%
(Source: SunTrust Economic Monitor)			
<b><u>New Business Licenses</u></b>			
(During August)			
(Source: Finance Department, Business Tax Branch)	76	94	-19%
<b><u>Office Vacancy Rates</u></b>			
(As of June 30, 2002)			
<b>Alexandria</b>	11.0%	7.6%	+45%
<b>Northern Virginia</b>	15.9%	8.8%	+81%
<b>Washington DC Metro Area</b>	12.2%	7.3%	+67%
(Source: Grubb & Ellis)			
<b><u>New Commercial Construction</u></b>			
(As of July 30, 2002)			
<b>Number of New Building Permits</b>	1	7	-86%
<b>Value of New Building Permits</b>	\$1.2 million	\$20.2 million	-94%
(Source: Fire Department Code Enforcement Bureau)			
<b><u>Residential Real Estate Indicators</u></b>			
(for the six months ended June 30, 2002)			
<b>Residential Dwelling Units Sold</b>	1,767	2,047	-14%
<b>Average Residential Sales Price</b>	\$276,261	\$243,459	+13%
(Source: Department of Real Estate Assessments)			